VICTORY HIGH INCOME FUND
QUARTERLY COMMENTARY

VICTORY income investors®
A VICTORY CAPITAL® INVESTMENT FRANCHISE

As of June 30, 2026

Executive Summary

Fixed income markets navigated a quarter defined by persistent inflation and a decisive shift in monetary policy expectations. Q2 began with markets still absorbing the geopolitical aftershocks of the Iran conflict — oil prices remained elevated, headline CPI climbing, and a Federal Reserve holding rates steady but the market anticipating further rate cuts. By the quarter's close, though oil prices had fallen dramatically, inflation had crept higher, and the Federal Reserve—under new leadership—had shifted to a more hawkish outlook. The 10-year Treasury yield ended the quarter at 4.47%, up from 4.32% at the close of Q1, as markets pivoted from an expectation of rate cuts to rate hikes. Against this backdrop, the Victory High Income Fund (Institutional Shares) underperformed its benchmark, the Bloomberg US High Yield 2% Issuer Capped Bond Index, for the quarter ended June 30, 2026.

Market Update & Commentary

Fixed income markets entered the second quarter still processing the geopolitical and inflationary disruptions that had defined the tail end of Q1. The question heading into April was not whether inflation would rise — the closure of the Straits of Hormuz had settled that — but whether it would prove persistent. The answer, delivered across three successive CPI reports, was an unambiguous 'yes'. Headline CPI climbed from 3.3% in March to 3.8% in April and ultimately to 4.3% by May, with Core CPI up in lockstep from 2.6% to 2.9%. What began as a supply-driven, oil-price shock increasingly showed signs of impacting prices on services and goods, complicating the Fed's ability to look through it as transitory.

The Federal Reserve's response and the market's assessment evolved with the receipt of each successive month's data. Though the April meeting — Chairman Powell's last — produced a decision to hold rates steady, even if with four dissents, by Chairman Warsh's June meeting markets had moved from expecting further easing to pricing in outright hikes. Treasury curves responded by flattening with short-term yields rising on firming rate hike expectations even as yields towards the longer end moved more modestly. The 10-year ending the quarter at 4.47%, up 15 basis points from Q1's close and 30 basis points YTD.

Beyond the change in expectations for rates and inflation, the other notable trend was the acceleration of debt issuance for artificial intelligence (AI) computing needs. Well-known cloud computing companies such as Meta, Google, and Amazon, issued tens of billions of dollars in bonds into the market, widening bond spreads for traditionally tight technology spreads relative to the broader investment grade index even as the aggregate remained tight. This divergence reinforces our view that the current environment could reward active credit selection. We believe that a strong understanding of sector and issuer fundamentals and a firm focus on relative value will support returns as the market absorbs what is expected to be still more of this supply.

	Yield (%)	Spreads (bps*)			Returns (%)	
		6/30/ 2026	3/31/ 2026	Δ (+/-)	3M	1YR
Investment Grade (Moody's Ratings)						
U.S. Treasury	4.4	0	0	0	0.3	2.7
U.S. Aggregate	4.7	26	30	-4	0.7	3.8
U.S. Credit	5.1	69	83	-14	1.3	4.3
Corporate	5.2	74	89	-15	1.4	4.3
Aa	5.0	52	55	-3	0.7	3.1
A	5.1	62	74	-12	1.3	4.2
Baa	5.4	91	111	-20	1.7	4.7
Crossover	6.0	144	181	-37	2.3	5.5
High Yield (Moody's Ratings)						
U.S. Corporate High Yield	7.5	264	320	-56	2.5	5.9
Ba	6.2	155	196	-42	2.3	5.9
B	7.7	280	345	-66	2.8	6.2
Caa	12.3	745	711	+33	3.0	6.3
Ca-D	38.2	3,357	3105	+252	11.5	13.9
Structured Product						
U.S. MBS	5.0	24	24	+1	0.6	5.2
ABS	4.6	44	52	-9	0.8	4.0
CMBS	4.9	65	72	-7	0.4	3.9

The higher real yields and diversification benefits of fixed income continue, in our view, to offer compelling value as investors navigate the second half of 2026. The crosscurrents are real — persistent inflation, an uncertain monetary policy regime, and geopolitical tension — but so is the potential income available to investors willing to hold fixed income despite the volatility. We remain cautious on credit risk given historically tight spreads, but constructive on the asset class as a whole.

Source: Bloomberg

* A basis point is one-hundredth of a percentage point (0.01%) and is abbreviated as "bp" (singular) or "bps" (plural).

Portfolio Performance & Positioning

During the quarter, we took advantage of spread tightening as fears around AI disintermediation, and the Iran war dissipated from elevated levels in Q1. Spreads tightened over the course of the quarter and ended close to all-time tights.

Contributors

- Sectors that added to performance were our underweights to Independents & Cable/Satellites and overweights to Airlines & Retailers. Security Selection in Pharma, Airlines, & Consumer Cyclical aided performance.
- From a credit perspective, our security selection within BB, and B rated credits benefited performance as did our overweight allocation to CC and BB rated credits. Our allocation to cash holdings contributed to performance.

Detractors

- Sectors that detracted from performance were our overweight to P&C and Auto Loan and our underweight to Finance Companies and Packaging as well as security selection within Technology and Gaming sectors.
- From a credit perspective, an overweight to BBB, and CCC names, as well as security selection in CCC and nonrated detracted from performance.
- Our allocation to cash holdings detracted from performance.

Standardized Performance: June 30, 2026

Average Annual Returns (%)

Victory High Income Fund	Ticker	Inception Date	Q2 2026	1 Year	5 Year	10 Year	Since Inception	Expense Ratio Gross	Expense Ratio Net
Fund Shares	USHYX	08/02/99	2.17	5.09	3.76	5.06	6.10	0.79	0.79
Institutional Shares	UIHIX	08/01/08	2.19	5.17	3.87	5.16	6.45	0.72	0.70
R6 Shares	URHIX	12/01/16	2.20	5.24	4.01	–	4.89	1.83	0.65
Bloomberg US High Yield 2% Issuer Capped Bond Index	–	–	2.47	5.91	4.17	5.81	–	–	–

Past performance does not guarantee future results. The performance quoted represents past performance and current performance may be lower or higher. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. To obtain performance information current to the most recent month-end, visit www.vcm.com. Returns include reinvestment of dividends and capital gains. Performance for periods greater than one year is annualized. Performance may reflect certain past fee waivers and/or expense reimbursements, without which performance would have been lower. Net expense ratio reflects the contractual waiver and/or reimbursement of management fees through August 31, 2026.

Carefully consider a fund's investment objectives, risks, charges and expenses before investing. To obtain a prospectus or summary prospectus containing this and other important information, visit www.vcm.com/prospectus. Read it carefully before investing.

Not all share classes are available to all investors.

All investing involves risk, including the potential loss of principal.

Fixed income securities are subject to interest rate, inflation, credit, prepayment, and default risk. The bond market is volatile. **Bonds and bond funds** will decrease in value as interest rates rise and vice versa. **Credit risk** refers to the possibility that debt issuers may not be able to make principal and interest payments or may have their debt downgraded by ratings agencies.

High yield securities may be more volatile, be subject to greater levels of credit or default risk, and may be less liquid and more difficult to sell at an advantageous time or price than higher-rated securities of similar maturity.

Mortgage-backed securities ("MBS") are subject to credit, prepayment and extension risk and may react differently to changes in interest rates than other bonds. Small movements in interest rates may quickly and significantly reduce the value of certain MBS.

Convertible securities rank senior to the issuer's common stock, but may be subordinate to senior debt obligations. In part, the total return for a convertible security may depend upon the performance of the underlying stock into which it can be converted. Synthetic convertibles may respond differently to market fluctuations than traditional convertible securities. They are also subject to counterparty risk.

Derivatives may not work as intended and may result in losses.

The portfolio is also subject to **liquidity risk**, which is the risk that the Adviser may not be able to sell a security at an advantageous time or price, which may adversely affect the portfolio.

Large shareholders, including other funds advised by the Adviser, may own a substantial amount of the Fund's shares. The actions of large shareholders, including large inflows or outflows of cash, may adversely affect other shareholders, including potentially increasing capital gains.

The value of your investment is also subject to geopolitical risks such as wars, terrorism, trade disputes, environmental disasters, and public health crises; the risk of technology malfunctions or disruptions; and the responses to such events by governments and/or individual companies.

Diversification does not assure a profit or protect against loss.

Consumer Price Index (CPI), a popular measure of inflation and deflation calculated by the Bureau of Labor Statistics, measures the monthly change in prices paid by U.S. consumers.

The Bloomberg U.S. High Yield 2% Issuer Capped Bond Index seeks to measure fixed-rate, non-investment-grade debt securities that are dollar denominated and nonconvertible. The index limits the maximum exposure to any one issuer to 2%. **The Bloomberg U.S. Aggregate Bond Index** measures the investment grade, USD-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS, ABS and CMBS.

Index returns are for illustrative purposes only and do not represent actual Fund performance. Index performance does not reflect management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. **Past performance does not guarantee future results.**

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